

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE MASSACHUSETTS ECONOMY

The importance of small business to the state of Massachusetts is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, Massachusetts had 158,096 businesses with employees; 98.1 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 213,000 self-employed persons in 1996, for an estimated total of 371,096 businesses.

Small Business Income - The income of sole proprietors and partners rose 4.9 percent to \$12.8 billion in 1996, while wage-and-salary income rose 6.1 percent. Total personal income rose 6.0 percent to \$118.5 billion. The state also exported \$15.4 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 192,000 women-owned businesses in Massachusetts, including part-time firms, employing 366,300 people and generating \$49.2 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 58.5 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 51.8 percent from 1987 to 1992, totaling 7,225 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 162.3 percent during the same time period with 6,914 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 3,916 in 1987, to 7,009 in 1992, representing a 79.0 percent increase.

Business Turnover - The number of new firms increased 3.7 percent, while new business incorporations decreased 5.0 percent in 1996. Financial difficulties leading to business bankruptcies decreased by 6.7 percent and business failures decreased by 16.6 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Massachusetts decreased from 58 in 1994 to 51 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
NATIONAL BK OF FAIRHAVEN	Fairhaven
BANK OF WESTERN MA	Springfield
PARK WEST B&TC	West Springfield
ENTERPRISE B&TC	Lowell
MILFORD NB&TC	Milford
CAPE COD B&TC	Hyannis
ROCKLAND TC	Rockland
FLEET NB	Springfield

Job Growth - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 71.9 percent of the small business growth. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	152,604	31,304	8,189	63,528	(85,917)	169,707
Manufacturing	4,778	6,916	(373)	6,855	(59,058)	(40,883)
Retail Trade	26,376	(2,706)	(1,297)	6,682	(24,058)	4,998
Services	89,917	23,442	15,561	50,823	9,718	189,461
Other	31,533	3,652	(5,705)	(833)	(12,519)	16,131

Industries - The composition of small business in Massachusetts is very diverse. The Health Services industry is the largest small business employer in Massachusetts, followed by Eating & Drinking Places. The fastest growing industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Massachusetts by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	2,660,140	100.0	51.3
Health Services	8000	347,344	13.1	38.2
Business Services	7300	193,952	7.3	51.6
Eating & Drinking Places	5800	168,722	6.3	69.0
Educational Services	8200	139,569	5.2	24.2
Engineering, Accounting, Research, Management, & Related Services	8700	111,104	4.2	56.5

Table 2, Top Five Small Business Industries in Massachusetts by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	1,365,221	100.0	51.3
Health Services	8000	132,852	13.1	38.2
Eating & Drinking Places	5800	116,473	6.3	69.0
Business Services	7300	100,136	7.3	51.6
Social Services	8300	67,271	3.1	80.3
Wholesale Trade - Durable Goods	5000	65,710	3.8	64.9

Table 3, Fastest Growing Industries for Small Business in Massachusetts, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	1,340,054	1,365,221	25,167	1.9
Nondepository Credit Institutions	3,889	4,711	822	21.1
Insurance Carriers	4,197	5,066	869	20.7
Security & Commodity Brokers, Dealers, Exchanges, & Services	4,893	5,436	543	11.1
Business Services	91,560	100,136	8,576	9.4
Motor Freight Transportation & Warehousing	14,577	15,830	1,253	8.6

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.